

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



SAN BENITO COUNTY SADDLE HORSE SHOW, RODEO & FAIR  
BOLADO PARK, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

AUDIT REPORT #09-059  
FOR THE YEARS ENDED  
DECEMBER 31, 2008 AND 2007

SAN BENITO COUNTY  
SADDLE HORSE SHOW, RODEO & FAIR  
BOLADO PARK, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
DECEMBER 31, 2008 AND 2007

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AUDIT STAFF

Ron Shackelford, CPA  
Shakil Anwar, CPA  
Harvey Hunter, CPA

Audit Chief  
Assistant Audit Chief  
Auditor

AUDIT REPORT NUMBER

#09-059

SAN BENITO COUNTY SADDLE HORSE SHOW, RODEO & FAIR  
BOLADO PARK, CALIFORNIA

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CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Michael O'Connell President  
Board of Directors  
San Benito County Saddle Horse Show, Rodeo & Fair  
P.O. Box 56  
Hollister, California 95024

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the San Benito County Saddle Horse Show, Rodeo & Fair, Bolado Park, California, as of December 31, 2008 and 2007, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the San Benito County Fair's management. Our responsibility is to express an opinion on these financial statements based on our audits.

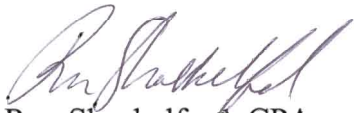
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Benito County Saddle Horse Show, Rodeo & Fair, as of December 31, 2008 and 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The San Benito County Saddle Horse Show, Rodeo & Fair has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #09-059, on the San Benito County Saddle Horse Show, Rodeo & Fair's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the San Benito County Saddle Horse Show, Rodeo & Fair as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in dark ink, appearing to read "Ron Shackelford", is written above the printed name.

Ron Shackelford, CPA  
Chief, Audit Office

August 7, 2009

**SAN BENITO COUNTY  
SADDLE HORSE SHOW, RODEO & FAIR  
BOLADO PARK, CALIFORNIA**

STATEMENTS OF FINANCIAL CONDITION  
Years Ended December 31, 2008 and 2007

	<u>Account Number</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>			
Cash in Bank	111 - 119	\$ 102,059	\$ 104,924
Accounts Receivable, Net	131	720	836
Equipment, Net	193	-	-
<b>TOTAL ASSETS</b>		<b><u>102,778</u></b>	<b><u>105,760</u></b>
<b>LIABILITIES AND NET RESOURCES</b>			
<b>Liabilities</b>			
Accounts Payable	212	39	2,739
Deferred Income	228	-	12,500
<b>Total Liabilities</b>		<b><u>39</u></b>	<b><u>15,239</u></b>
<b>Net Resources</b>			
Net Resources - Operations	291	102,740	90,520
<b>Total Net Resources Available</b>		<b><u>102,740</u></b>	<b><u>90,520</u></b>
<b>TOTAL LIABILITIES AND NET RESOURCES</b>		<b><u>\$ 102,778</u></b>	<b><u>\$ 105,760</u></b>

**SAN BENITO COUNTY  
SADDLE HORSE SHOW, RODEO & FAIR  
BOLADO PARK, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY**  
Years Ended December 31, 2008 and 2007

	<b>Account Number</b>	<b>2008</b>	<b>2007</b>
<b>REVENUE</b>			
State Allocation	312	\$ 50,000	\$ 50,000
Exhibits	430	548	654
Horse Show	440	4,867	3,970
Interim Attractions	460	68,383	65,385
Miscellaneous Fair	470	59,599	48,424
Other Operating Revenue	495	3,627	4,828
<b>Total Revenue</b>		<b>187,024</b>	<b>173,261</b>
<b>EXPENSES</b>			
Administration	500	45,531	47,517
Maintenance and Operations	520	9,258	14,300
Publicity	540	9,532	14,544
Attendance	560	8,038	7,215
Miscellaneous Fair	570	24,463	25,923
Premiums	580	24,368	19,814
Exhibits	630	11,848	9,528
Horse Show	640	3,409	3,450
Attractions - Fairtime	660	32,906	34,972
Prior Year Adjustments	800	-	(2,890)
Cash Over/Short from Ticket Sales	850	5,451	6,278
<b>Total Expenses</b>		<b>174,805</b>	<b>180,652</b>
<b>RESOURCES</b>			
Net Change - Income / (Loss)		12,219	(7,391)
Resources Available, January 1		90,520	97,911
<b>Resources Available, December 31</b>		<b>\$ 102,739</b>	<b>\$ 90,520</b>

**SAN BENITO COUNTY  
SADDLE HORSE SHOW, RODEO & FAIR  
BOLADO PARK, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS  
Years Ended December 31, 2008 and 2007**

	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 12,219	\$ (7,391)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	116	825
(Increase) Decrease in Deferred Charges	(12,500)	-
Increase (Decrease) in Accounts Payable	(2,701)	(151)
Total Adjustments	<u>(15,084)</u>	<u>674</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><b>(2,865)</b></u>	<u><b>(6,717)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Increase) Decrease in Equipment, Ne	<u>-</u>	<u>-</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u><b>-</b></u>	<u><b>-</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (Decrease) in Long-Term Debt	<u>-</u>	<u>-</u>
<b>Net Cash Provided (Used) by Financing Activities</b>	<u><b>-</b></u>	<u><b>-</b></u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(2,865)</b>	<b>(6,717)</b>
Cash at Beginning of Year	104,924	111,641
<b>CASH AT END OF YEAR</b>	<u><u><b>\$ 102,059</b></u></u>	<u><u><b>\$ 104,924</b></u></u>



**SAN BENITO COUNTY  
SADDLE HORSE SHOW, RODEO & FAIR  
BOLADO PARK, CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2008 and 2007

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - The San Benito County Saddle Horse Show, Rodeo & Fair was formed for the purpose of sponsoring, managing, and conducting the San Benito County Fair each year in Bolado Park, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the San Benito County Saddle Horse Show, Rodeo & Fair. The San Benito County Saddle Horse Show, Rodeo & Fair is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the San Benito County Saddle Horse Show, Rodeo & Fair to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

**Basis of Accounting** - The accounting policies applied to and procedures used by the San Benito County Saddle Horse Show, Rodeo & Fair conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The San Benito County Saddle Horse Show, Rodeo & Fair's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the San Benito County Saddle Horse Show, Rodeo & Fair has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The San Benito County Saddle Horse Show, Rodeo & Fair's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The San Benito County Saddle Horse Show, Rodeo & Fair is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The San Benito County Saddle Horse Show, Rodeo & Fair's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the San Benito County Saddle Horse Show, Rodeo & Fair approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the San Benito County Saddle Horse Show, Rodeo & Fair is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories, if any, consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation.

Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 30 years, and purchases of equipment are depreciated over five years. Costs of repair and maintenance are expensed as incurred by the San Benito County Saddle Horse Show, Rodeo & Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. The costs of projects that have not been placed in service are recorded in Account #190, Construction-in-Progress, and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

## NOTE 2

### **NEW ACCOUNTING STANDARDS**

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, ("GASB Statement No. 45"). This statement establishes standards for the measurement, recognition, and display of postretirement benefits other than pensions expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement becomes effective for the District for periods beginning after December 15, 2007. Management has not determined the effect of GASB Statement No. 45 on the combined financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Receivables and Future Revenues*, ("GASB Statement No. 48"). GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues

should not be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This statement is effective for periods beginning after December 15, 2006. Adoption of this statement did not have a material impact on the combined financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, (“GASB Statement No. 49”). GASB Statement No. 49 requires governmental entities to report pollution remediation costs in their financial statements. It identifies five obligating events under which the government should estimate the expected obligations for pollution remediation. Under the standard, liabilities and expenses will be estimated using an “expected cash flows” measurement technique, which will be employed for the first time by governments. Further, the standard requires that governments disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements with periods beginning December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. Management has not determined the effect of GASB Statement No. 49 on the combined financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, (GASB Statement No. 50”). GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (“OPEB”) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, (“GASB Statement No. 25”), and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, (“GASB Statement No. 27”) to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, (“GASB Statement No. 43”) and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). GASB Statement No. 50 will be effective for financial statements with periods beginning after June 15, 2007. Management has not determined the effect of GASB Statement No. 50 on the combined financial statements.

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, (“GASB Statement No. 51”). GASB Statement No. 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such

as capital leases). GASB Statement No. 51 will be effective for financial statements with periods beginning after June 15, 2009. Management has not determined the effect of GASB Statement No. 51 on the combined financial statements.

**NOTE 3 CASH AND CASH EQUIVALENTS**

The following list of cash and cash equivalents were held by the San Benito County Saddle Horse Show, Rodeo & Fair as of December 31:

	<u>2008</u>	<u>2007</u>
Petty Cash	\$ 200	\$ 200
Cash in Bank - Operating	7,554	1,725
Cash in Bank - Savings	1,281	1,279
Cash in Bank – County Treasury	23,254	34,505
Cash in Bank - LAIF	<u>69,769</u>	<u>67,215</u>
Total Cash and Cash Equivalents	<u>\$ 102,058</u>	<u>\$ 104,924</u>

**NOTE 4 ACCOUNTS RECEIVABLE**

The San Benito County Saddle Horse Show, Rodeo & Fair is required to record an allowance for doubtful accounts based on estimates of collectability.

	<u>2008</u>	<u>2007</u>
Accounts Receivable	\$ 720	\$ 836
Allowance for Doubtful Accounts	<u>0</u>	<u>0</u>
Accounts Receivable - Net	<u>\$ 720</u>	<u>\$ 836</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

Buildings and improvements, and equipment at December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Equipment	\$ 5,500	\$ 5,500
Less: Accumulated Depreciation	<u>(5,500)</u>	<u>(5,500)</u>
Equipment - Net	<u>\$ 0</u>	<u>\$ 0</u>

**NOTE 7 RETIREMENT PLAN**

Permanent employees of the San Benito County Saddle Horse Show, Rodeo & Fair are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions

made by the San Benito County Saddle Horse Show, Rodeo & Fair and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The San Benito County Saddle Horse Show, Rodeo & Fair's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The San Benito County Saddle Horse Show, Rodeo & Fair, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the San Benito County Saddle Horse Show, Rodeo & Fair participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

**SAN BENITO COUNTY  
SADDLE HORSE SHOW, RODEO & FAIR  
BOLADO PARK, CALIFORNIA**

**REPORT DISTRIBUTION**

<u>Number</u>	<u>Recipient</u>
1	President, San Benito County Fair Board of Directors
1	Chief Executive Officer, San Benito County Fair
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



SAN BENITO  
SADDLE HORSE SHOW, RODEO & FAIR  
BOLADO PARK, CALIFORNIA

MANAGEMENT REPORT #09-059

YEAR ENDED DECEMBER 31, 2008



SAN BENITO  
SADDLE HORSE SHOW, RODEO & FAIR  
BOLADO PARK, CALIFORNIA

MANAGEMENT REPORT  
YEAR ENDED DECEMBER 31, 2008

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AUDIT STAFF

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Ron Shackelford, CPA  
Shakil Anwar, CPA  
Harvey Hunter, CPA

Audit Chief  
Assistant Audit Chief  
Auditor

MANAGEMENT REPORT NUMBER  
#09-059

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CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Michael O'Connell President  
Board of Directors  
San Benito Saddle Horse Show, Rodeo & Fair  
P.O. Box 56  
Hollister, California 95024

In planning and performing our audit of the financial statements of the San Benito Saddle Horse Show, Rodeo & Fair (SBC Saddle Horse), Bolado Park, California, for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the SBC Saddle Horse with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the SBC Saddle Horse's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the SBC Saddle Horse's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly



recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the SBC Saddle Horse in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The SBC Saddle Horse's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the SBC Saddle Horse's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the SBC Saddle Horse and compliance with state laws and regulations, we identified two areas with reportable conditions that are considered weaknesses in the Fair's operations: standard agreements and courtesy pass admission percentage. We have provided three recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified an additional area containing a non-reportable condition. This condition and accompanying recommendation is not considered a significant weakness. We have included this item solely for the benefit of the SBC Saddle Horse's management. We suggest the Fair implement the recommendation as soon as practicable. The Fair, however, is not required to provide a written response to the recommendation for a non-reportable condition.

## REPORTABLE CONDITIONS

### STANDARD AGREEMENTS

A review of the San Benito County Saddle Horse Show, Rodeo & Fair (Association) standard agreements revealed the following:

- a. The Association had one multi-year contract for which there was no written justification explaining why the multi-year agreement is in the best interest of the Association. According to the Division of Fairs & Expositions (F&E) Contract Manual, if a contract term is for more than one year or contains options to renew, which if exercised would make it a multi-year contract, a written justification explaining why a multi-year contract is in the best interest of the Association must be included in the contract file and in the contract package if the contract requires F&E approval. This was a prior year audit finding.
- b. The Association did not go out to bid for the multi-year bookkeeping service contract totaling \$48,000 (\$24,000 annually). According to the F&E Contract Manual, contracts over \$5,000 and not otherwise exempt from bidding must be either formally bid or awarded using the Alternative Bid Process. The main benefit of competitively bidding all service contracts is to receive such services as the lowest possible cost. This was a prior year audit finding.

### *Recommendations*

1. *The Association should ensure that a written justification explaining why multi-year contracts are in the best interest of the Association is prepared for all multi-year contracts.*
2. *The Association should follow the F&E Contract Manual and obtain bids for all contracts over \$5,000 that are not otherwise exempt from the bidding process. At a minimum, this process should be done near the expiration of the current agreement.*

### COURTESY PASS ADMISSION PERCENTAGE

The Association exceeded the 4% maximum allowable rate of courtesy admission passes in 2008. The 2008 courtesy admission pass as a percent of prior year (2007) gross paid admissions totaled 4.6%. In addition, although not reported, the 2007 courtesy admission pass as a percent of the 2006 gross paid admissions totaled 5.4%. According to the California Food and Agricultural Code, Section 3026, "The percentage of courtesy pass admissions to any state, county, district, or citrus fruit fair shall not exceed 4% of the gross paid admission to the fair in the preceding calendar year." The Association should be cautioned that excessive distributions of this nature may be deemed an inappropriate use of public funds.

*Recommendation*

3. *The Association should review its policy for the issuance of courtesy passes to ensure the 4% limitation specified within the Food and Agriculture Code is not exceeded.*

**NON-REPORTABLE CONDITION****TEMPORARY EMPLOYEES**

The Association did not obtain the appropriate documentation from List C of the Form I-9, Employment Eligibility Verification, as evidence of employment eligibility for a temporary employee hired when required. List C documents include social security card and birth certificate. The Fair incorrectly accepted a college ID to meet the List C required document. The Association is required to obtain and examine either one document from List A or one document from both List B and List C. List A documents, such as a U.S. Passport, establish both identity and employment eligibility. Because the Association generally does not obtain documents from List A, they are required to obtain one document from both List B and List C. List B documents, such as a driver's license or state identification card, establish an individual's identity and List C documents establish an individual's employment eligibility. This was a prior year finding.

*Recommendation*

*The Association should ensure it complies with all state and federal guidelines pertaining to the hiring of temporary employees. The Association should ensure that all proper documentation is obtained as evidence of employment eligibility for all temporary employees hired.*

**DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE**



# San Benito County Saddle Horse Show, Rodeo and Fair

"A non-profit event staged for the purpose of encouraging better breeding and training of the reined cow horse and preserve the arts of the vaquero in San Benito County"

November 30, 2009

Mr. Ron Shackelford, CPA  
C.F.S.A.  
1220 N Street, Room 344  
Sacramento, CA 95814

Dear Mr. Shackelford:

The San Benito County Saddle Horse Association has received and reviewed the draft audit and management reports for the year ended December, 2008. Below is our plan of action to correct the two reportable items.

**STANDARD AGREEMENTS: TIMEFRAME: AT THE EXPIRATION OF THE CURRENT 2-YEAR CONTRACT**

1. The current contract for bookkeeping services runs through December, 2010. Prior to signing a new contract, the Board will write a justification for why a multi-year contract is in the best interest of the Association. Additionally, the Board will develop a requirements list and go out to bid for the bookkeeping services.

**COURTESY PASS ADMISSION PERCENTAGE: TIMEFRAME: SET A PROCEDURE IN PLACE PRIOR TO JUNE, 2010 RODEO**

1. The Association will develop a process for ensuring that courtesy passes do not exceed the 4% limitation specified within the Food & Ag Code. More control will be exercised over the number of school children and promotional passes given out.

The Association appreciates the valuable feedback as a result of your audits, and will strive to ensure the recommendations are completely implemented.

Best regards,



Mike O'Connell, President  
San Benito County Saddle Horse Association

Cc: Division of F & E

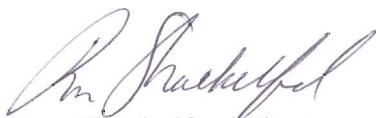
### **CDDA EVALUATION OF RESPONSE**

A draft copy of this report was forwarded to the management of the San Benito Saddle Horse Show, Rodeo, & Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

### DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between August 3, 2009 and August 7, 2009. My staff met with management on August 7, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA  
Chief, Audit Office

August 7, 2009

## REPORT DISTRIBUTION

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1	Chief Executive Officer, San Benito Saddle Horse
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
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